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CORPORATION FILE

J. J. NEWBERRY CO.

ANNUAL REPORT

for the Year

1946

J. J. NEWBERRY CO.



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J. J. NEWBERRY CO.

245 FIFTH AVENUE

New York

OFFICERS

J. J. NEWBERRY	<i>Chairman of the Board</i>
E. A. NEWBERRY	<i>President</i>
T. H. HOCHSTRASSER	<i>Vice-President</i>
J. E. NELSON	<i>Vice-President</i>
F. R. SMITH	<i>Vice-President</i>
J. H. EWEN	<i>Vice-President and Treasurer</i>
H. M. WILLGOHS	<i>Secretary and Comptroller</i>
F. S. NEWBERRY	<i>Assistant Secretary</i>
W. C. STRAUS	<i>Assistant Treasurer</i>

DIRECTORS

J. J. NEWBERRY	E. A. NEWBERRY
J. E. NELSON	T. H. HOCHSTRASSER
ANNA C. NEWBERRY	J. H. EWEN
W. C. BAKER	J. J. NEWBERRY, JR.
F. S. NEWBERRY	W. C. SCHULZ

TRANSFER AGENT	<i>Corporation Trust Co., New York</i>
REGISTRAR	<i>Guaranty Trust Co., New York</i>
GENERAL COUNSEL	<i>Pallister & Pallister</i>
AUDITORS	<i>Peat, Marwick, Mitchell & Co.</i>

TO OUR STOCKHOLDERS:

The Annual Report of our Company for 1946 including Comparative Financial Statements is submitted herewith.

The continuous growth of the Company from its inception, as evidenced by the figures on Page 9, we believe will prove of interest.

Total sales for 1946 were \$113,228,967, an increase of \$12,360,208 over the 1945 record.

Net income for 1946, after taxes and all other charges, amounted to \$7,582,272 compared with \$3,309,135 for 1945.

After providing for dividends on the Preferred Stock, the 1946 earnings equaled \$4.74 per share on the Common Stock of which there are 1,521,784 shares outstanding compared with \$1.93 earned per share in 1945.

Dividends paid to Common Stockholders during 1946 equaled \$2,054,408 compared with \$913,070 paid in 1945.

Common Dividend rates were 25 cents per share for the first three quarters of 1946, 35 cents for the fourth quarter with an extra dividend of 25 cents paid in December, making a total of \$1.35 per share paid for the year 1946.

At the February 1947 meeting, the Board of Directors declared a dividend of 50 cents per share on the Common Stock payable April 1, 1947.

Salaries and wages paid employees during 1946 totaled \$19,303,412 compared with \$16,805,145 in 1945.

The elimination of the excess profits tax resulted in a reduction of Federal income taxes to \$4,675,000 for 1946 as compared with \$8,443,241 for 1945, however, other taxes continue to represent a major item of expense. Without giving effect to Social Security Taxes, all other items in this category amounted to \$608,931 for the year 1946 as compared with \$558,838 for the year 1945; for Social Security Taxes, which includes the Federal Old Age Pension and State Unemployment Insurance, the Company paid \$454,167 in 1946 compared with \$405,226 in 1945. The Company also collected for Federal, state and municipal authorities sales and excise taxes of \$1,193,789 for the year 1946 as compared to \$1,056,202 for 1945.

In 1946 the Company established a Group Insurance Plan which includes Life Insurance, Hospitalization, Surgical, Accident and Health Benefits. Under this Plan the Company bears the entire premium cost and the coverage is extended to all personnel who have been in the employ of the Company one year or longer. The cost of this to the Company from August 15, 1946 to December 31, 1946 amounted to \$69,581.

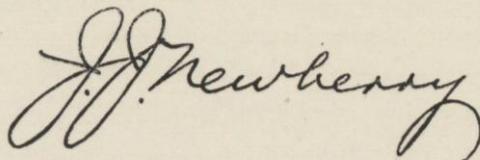
The employees eligible for the Newberry Pension Plan paid \$89,580 and the Company's share was \$177,060 for 1946.

During war years the Company's normal store expansion was of necessity curtailed by government restrictions. Extensive plans have been made for much needed enlargement and modernization of many present stores to insure the Company's future competitive position. This expansion program entailing several million dollars will proceed as rapidly as restrictions are modified and building costs warrant.

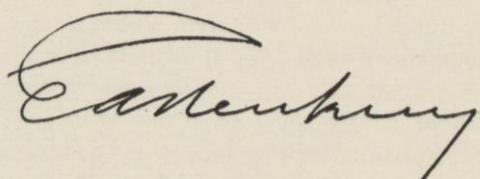
We were pleased to welcome back into the organization most of the employees who left to enter the service of their country during the war.

On behalf of the Company, the Board of Directors take this opportunity to express appreciation for the splendid cooperation received from our employees and also to commend them for their faithfulness and loyalty.

Very truly yours,

A cursive signature in black ink that reads "J. Newberry".

Chairman of the Board.

A cursive signature in black ink that reads "E. Newberry".

President.

March 7, 1947.

ACCOUNTANTS' REPORT

To The Board of Directors,
J. J. NEWBERRY Co.,
New York, N. Y.

We have examined the consolidated balance sheet of J. J. Newberry Co. and subsidiary companies as of December 31, 1946 and the statements of consolidated profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and surplus present fairly the consolidated position of J. J. Newberry Co. and subsidiary companies at December 31, 1946 and the results of the operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & Co.

New York, N. Y.
March 3, 1947.

J. J. NEW B
AND SUBSIDIARIES

COMPARATIVE CONSOLIDATED
AS OF DECEMBER 31, 1946

A S S E T S

	December 31, 1946	1945
CURRENT ASSETS:		
Cash in banks, on hand and in transit.....	\$12,983,352	\$13,308,533
Miscellaneous accounts receivable.....	206,201	249,919
U. S. Treasury Savings Notes, Series C, less amount deducted from Federal tax liability (contra), \$4,680,893 as of December 31, 1946; \$8,000,000 as of December 31, 1945.....	2,119,107	—
Other U. S. Government securities—at cost.....	174,174	250,174
Postwar excess profits tax refund.....	—	531,921
Merchandise, at the lower of cost or market.....	17,641,430	13,655,530
TOTAL CURRENT ASSETS.....	33,124,264	27,996,077
MISCELLANEOUS INVESTMENTS AND ADVANCES (at cost).....	524,622	175,052
PROPERTY AND EQUIPMENT:		
Land, buildings and improvements, at or below cost.....	9,780,359	9,058,861
Furniture and fixtures, at cost.....	12,413,123	11,816,403
Less Reserves for depreciation.....	22,193,482	20,875,264
	8,244,799	7,601,214
	13,948,683	13,274,050
Alterations and improvements to leased prem- ises, at or below cost.....	5,487,804	5,197,170
Less Reserve for amortization.....	2,631,963	2,399,585
	2,855,841	2,797,585
TOTAL PROPERTY AND EQUIPMENT (net).....	16,804,524	16,071,635
PREPAID EXPENSES AND DEFERRED CHARGES:		
Unexpired insurance, supplies, prepaid rents, taxes, pension premiums, etc.....	664,061	655,772
Improvements to leased properties (recoverable) and miscellaneous deferred charges.....	92,468	107,529
TOTAL PREPAID EXPENSES, ETC.....	756,529	763,301
	\$51,209,939	\$45,006,065

ERRY CO.
Y COMPANIES

DATED BALANCE SHEET

AND DECEMBER 31, 1945

L I A B I L I T I E S

	December 31, 1946	1945
CURRENT LIABILITIES:		
Accounts payable, bonuses and accrued liabilities	\$ 9,005,642	\$ 7,461,976
Provision for Federal taxes on income (less U. S. Treasury Savings Notes, Series C, \$4,680,893 as of December 31, 1946; \$8,000,000 as of December 31, 1945).....	—	447,276
Dividend payable on preferred stock—due February 1 of following year.....	93,752	93,752
TOTAL CURRENT LIABILITIES.....	9,099,394	8,003,004
 MORTGAGES PAYABLE ON REAL ESTATE (estimated principal or installment payments due in 1947—\$125,000; in 1946—\$99,000).....	 2,702,743	 2,699,554
 RESERVE FOR SELF-INSURANCE (fire and burglary)..	 221,390	 269,950
 CAPITAL STOCK AND SURPLUS:		
Cumulative Preferred Stock, par value \$100.00 per share:		
Authorized, 125,000 shares, issuable in series Issued, 100,000 shares, 3 $\frac{3}{4}$ % Series (redeemable at \$105.00 per share up to August 1, 1947 and on a decreasing scale to August 1, 1953 and at any time thereafter at \$101.50 per share, plus accrued dividends in each case).....	10,000,000	10,000,000
 Common Stock, no par value:		
Authorized, 2,000,000 shares		
Issued, 1,581,256 shares.....	5,208,572	5,208,572
Earned Surplus (preferred stock provisions limit amount distributable to common stockholders to \$8,177,350 as of December 31, 1946).....	24,280,802	19,127,947
 Less Cost of 59,472 shares of common stock in treasury.....	 39,489,374	 34,336,519
 TOTAL CAPITAL STOCK AND SURPLUS.....	 302,962	 302,962
	39,186,412	34,033,557
	\$51,209,939	\$45,006,065

J. J. NEWBERRY CO.
AND SUBSIDIARY COMPANIES

COMPARATIVE STATEMENTS OF
CONSOLIDATED PROFIT AND LOSS AND SURPLUS
FOR THE TWO YEARS ENDED DECEMBER 31, 1946

PROFIT AND LOSS

	Year ended December 31,	
	1946	1945
Sales.....	\$113,228,967	\$100,868,759
Cost of Merchandise Sold and Operating Expenses, including general and administrative expenses and after deducting income from rentals.....	100,045,313	88,128,307
Other income (net).....	13,183,654	12,740,452
	98,369	49,805
	<u>13,282,023</u>	<u>12,790,257</u>
Deduct:		
Interest on mortgages and other interest.....	96,625	98,900
Provision for depreciation and amortization....	928,126	885,675
	<u>1,024,751</u>	<u>984,575</u>
	<u>12,257,272</u>	<u>11,805,682</u>
Provision for Federal Taxes on Income (including \$7,183,331 excess profits tax in 1945).....	4,675,000	8,443,241
	<u>7,582,272</u>	<u>3,362,441</u>
Dividends on Preferred Stocks of J. J. Newberry Realty Co. in hands of public (retired in 1945).	—	53,306
Net Income for the year transferred to Earned Surplus.....	<u>\$ 7,582,272</u>	<u>\$ 3,309,135</u>
SURPLUS		
Balance at beginning of year.....	\$ 19,127,947	\$ 17,530,734
Net Income for the year.....	<u>7,582,272</u>	<u>3,309,135</u>
	<u>26,710,219</u>	<u>20,839,869</u>
Less Dividends:		
5% Cumulative Preferred Stock, Series A (prior issue).....	—	208,023
3 3/4% Cumulative Preferred Stock.....	375,009	163,546
Common Stock—in 1946, \$1.35 per share; in 1945, \$2.40 per share (before split-up in De- cember, 1945).....	<u>2,054,408</u>	<u>913,070</u>
	<u>2,429,417</u>	<u>1,284,639</u>
	<u>24,280,802</u>	<u>19,555,230</u>
Deduct:		
Premiums on retirement of preferred stocks:		
6 1/2% and 6% preferred stocks of J. J. New- berry Realty Co.	—	201,980
5% Cumulative Preferred Stock, Series A, of J. J. Newberry Co. (Delaware).....	—	152,958
Stock issue expense, net of premium received, relating to sale of 3 3/4% Cumulative Preferred and split-up of Common Stock.....	<u>—</u>	<u>72,345</u>
	<u>—</u>	<u>427,283</u>
Balance at end of year.....	<u>\$ 24,280,802</u>	<u>\$ 19,127,947</u>

RECORD OF SALES AND EARNINGS

Year	Number of Stores	Sales	Earnings per share on Common Stock Outstanding
1912.....	1	\$ 32,383	
1913.....	2	42,184	N O
1914.....	3	92,640	T
1915.....	5	116,009	I N C O R P O R A T E D
1916.....	5	151,465	I N C O R P O R A T E D
1917.....	6	149,466	I N C O R P O R A T E D
1918.....	7	276,449	I N C O R P O R A T E D
1919.....	17	502,445	I N C O R P O R A T E D
1920.....	17	751,984	I N C O R P O R A T E D
1921.....	26	1,157,234	I N C O R P O R A T E D
1922.....	33	1,750,066	
1923.....	51	3,564,947	\$4.68
1924.....	68	5,114,339	6.42
1925.....	86	6,897,414	8.28
1926.....	112	9,985,074	*3.06
1927.....	151	15,069,159	3.65
1928.....	210	20,609,366	4.62
1929.....	279	27,789,369	†3.15
1930.....	335	30,187,392	2.22
1931.....	379	31,146,802	1.73
1932.....	406	33,121,670	1.07
1933.....	417	35,146,574	3.06
1934.....	431	41,054,218	5.38
1935.....	450	43,388,611	4.94
1936.....	461	48,376,510	6.03
1937.....	469	50,315,454	5.27
1938.....	476	49,040,697	4.04
1939.....	479	52,272,953	5.44
1940.....	486	55,879,580	4.53
1941.....	488	64,228,956	6.40
1942.....	492	77,313,152	6.70
1943.....	491	91,028,763	7.58
1944.....	491	95,861,688	7.39
1945.....	488	100,868,759	‡1.93
1946.....	487	113,228,967	4.74

* Stock split-up 3 shares for 1 in 1926.

† Stock dividend of 50% and rights to subscribe to 10% of holdings issued May 1st, 1929.

‡ Stock split-up 4 shares for 1 in 1945.

STORE LOCATIONS

Alabama—3

Birmingham
Dothan
Montgomery

Arizona—3

Douglas
Nogales
Phoenix

Arkansas—2

Hot Springs
Pine Bluff

California—68

Alhambra
Bakersfield
Bellflower
Beverly Hills
Brawley
Burbank
Compton
Covina
Downey
El Centro
Fresno
Glendale
Hanford
Hollywood
Huntington Park (2)
Inglewood
Long Beach (2)
Los Angeles (17)
Marysville
Merced
Modesto
North Hollywood
Oakland
Ocean Park
Ontario
Pasadena
Pomona
Redlands
Redondo Beach
Salinas
San Bernardino
San Francisco
San Jose
San Mateo
San Pedro (2)
Santa Ana
Santa Barbara
Santa Cruz
Santa Monica (2)
Santa Rosa
So. Pasadena
Studio City
Torrance
Vallejo

Calif. [Contd.]

Van Nuys
Ventura
Visalia
Whittier

Colorado—4

Denver
Fort Collins
La Junta
Pueblo

Connecticut—5

Hartford
New Haven
Norwalk
Wallingford
Winsted

Florida—2

Pensacola
Tampa

Georgia—3

Atlanta
Columbus
Macon

Idaho—4

Boise
Lewiston
Pocatello
Twin Falls

Illinois—12

Alton
Belleville
Canton
Collinsville
Dixon
East St. Louis
Granite City
Litchfield
Macomb
Peoria
Rock Island
West Frankfort

Indiana—16

Auburn
Connersville
Decatur

Indiana [Contd.]

East Chicago
Gary
Goshen
Hammond
Hartford City
Indiana Harbor
Jasper
Jeffersonville
Marion
Martinsville
New Albany
New Castle
Whiting

Iowa—6

Boone
Iowa Falls
Mason City
Newton
Ottumwa
Webster City

Kansas—3

Chanute
Coffeyville
Parsons

Kentucky—25

Bardstown
Central City
Corbin
Cynthiana
Danville
Elizabethtown
Frankfort
Glasgow
Harlan
Harrodsburg
Hazard
Henderson
Lawrenceburg
Lebanon
Louisville
Mayfield
Mt. Sterling
Owensboro
Paris
Pineville
Richmond
Shelbyville
Somerset
Versailles
Winchester

Louisiana—1

Lake Charles

Maine—22

Bangor
Bath
Biddeford
Calais
Caribou
Dover-Foxcroft
Eastport
Ellsworth
Farmington
Fort Fairfield
Fort Kent
Houlton
Lewiston
Lincoln
Madawaska
Mars Hill
Millinocket
Norway
Presque Isle
Rockland
Rumford
Van Buren

Maryland—6

Brunswick
Elkton
Frederick
Hagerstown
Pocomoke City
Salisbury

Massach'setts—29

Amesbury
Attleboro
Boston
Brockton
Bridgewater
Chelsea
Clinton
Fall River
Falmouth
Framingham
Franklin
Gardner
Haverhill
Holyoke
Lawrence
Leominster
Lowell
Maynard
Newburyport
North Adams
North Attleboro
Pittsfield
Rockland
Stoughton
Wakefield
Ware
Whitman
Woburn
Worcester

Michigan—13

Alma
Calumet
Charlotte
Coldwater
Houghton
Iron Mountain
Iron River
Ishpeming
Ludington
Manistee
Midland
Port Huron
Three Rivers

Minnesota—2

St. Cloud
Duluth

Mississippi—1

Meridian

Missouri—12

Cape Girardeau
Columbia
Excelsior Spgs.
Hannibal
Jefferson City
Joplin
Maplewood
Poplar Bluff
St. Louis (3)
Springfield

Montana—2

Billings
Great Falls

New Hampshire—15

Berlin
Claremont
Concord
Derry
Dover
Franklin
Keene
Laconia
Littleton
Manchester
Nashua
Plymouth
Portsmouth
Rochester
Tilton

STORE LOCATIONS—*Continued*

New Jersey—17	N. Y. [Contd.]	Ohio [Contd.]	Penn. [Contd.]	Utah—1
Asbury Park	Mechanicville	Lima	Philadelphia	Ogden
Atlantic City	Middletown	Massillon	Phoenixville	
Boonton	Niagara Falls	New Philadelphia	Plymouth	Vermont—7
Bridgeton	Northville	Painesville	Pottstown	Barre
Caldwell	Nyack	Tiffin	Renovo	Bellows Falls
Dover	Ogdensburg	Warren	Royersford	Newport
Freehold	Oneonta	Wooster	Sayre	Rutland
Hackettstown	Ossining	Zanesville	Scranton	Springfield
Hammonton	Owego		Shamokin	White River
Keyport	Peekskill		Shenandoah	Junction
Long Branch	Penn Yan		Somerset	Windsor
Millville	Perry		Stroudsburg	
New Brunswick	Port Jervis		Sunbury	Virginia—13
Newton	Poughkeepsie		Tamaqua	Bedford
Red Bank	Salamanca		Towanda	Clifton Forge
Vineland	Saranac Lake		Waynesboro	Culpeper
Wildwood	Saratoga Springs		Wellsboro	Farmville
	Saugerties		West Chester	Fredericksburg
New Mexico—2	Ticonderoga			Front Royal
Las Vegas	Tupper Lake			Lexington
Raton	Walton			Norfolk
	Watertown			Salem
	Wellsville			South Boston
	Whitehall			Staunton
New York—57				Winchester
Albany	N. Carolina—5	Pennsylvania—49		Wytheville
Albion	Asheville	Ashland		
Amsterdam	Monroe	Berwick		Washington—7
Auburn	Oxford	Bloomsburg		Bellingham
Ballston Spa	Reidsville	Bradford		Everett
Batavia	Statesville	Carbondale		Seattle
Bath		Chambersburg		Spokane
Buffalo		Coalport		Walla Walla
Canandaigua		Coatesville		Wenatchee
Canton		Danville		Yakima
Carthage		Downingtown		
Catskill	Fargo	De Bois		West Virginia—3
Cobleskill	Grand Forks	Ephrata		Charleston
Cohoes		Forest City		Charles Town
Cooperstown	Ohio—28	Freeland		Martinsburg
Corning	Ashland	Homestead		
Cortland	Ashtabula	Jersey Shore		
Elmira	Bowling Green	Kulpmont		
Endicott	Bryan	Lansford		
Gloversville	Bucyrus	Lewisburg		
Gouverneur	Cambridge	Lock Haven		
Greenpoint	Chillicothe	McAdoo		Wisconsin—5
Herkimer	Cincinnati	Mahanoy City		Fond Du Lac
Hornell	Cleveland (3)	Mauch Chunk		Kenosha
Hudson	Columbus	Middletown		Oshkosh
Ithaca	Conneaut	Milton		Rhinelander
Johnstown	Coshocton	Mt. Carmel		Superior
Kingston	East Palestine	Nanticoke		
Little Falls	Findlay	Newport		Wyoming—2
Lockport	Fremont	Northampton		Cheyenne
Lyons	Hamilton	Olyphant		Rock Springs
Malone	Ironton	Oxford		
Massena	Lancaster			

Figures in parentheses indicate the number of stores in cities where more than one store is in operation.

